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DEPARTMENT OF AGRICULTURE

THE AGRICULTURAL ADJUSTMENT ACT AND ITS OPERATION

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THE AGRICULTURAL
ADJUSTMENT ADMINISTRATION

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THE AGRICULTURAL ADJUSTMENT ACT, approved May 12, 1933, is the means of effectuating the policy of Congress to restore the purchasing power of American farmers to the level which it occupied in the 5-year period immediately preceding the World War, during which period the national income was equitably balanced as between agriculture and other industry.

Since the World War agricultural production has not been contracted as effective export and domestic demand for farm goods has contracted; oversupply of agricultural commodities has resulted and has reduced farm prices; and agricultural purchasing power has fallen far below parity with the purchasing power of other industries.

The Agricultural Adjustment Act, therefore, in order to remedy these conditions, empowers the President, through the Secretary of Agriculture and the Agricultural Adjustment Administration set up within the Department of Agriculture, to assist farmers in adjusting their production of certain basic commodities to meet effective demand without sacrificing income and to put into effect marketing agreements on agricultural commodities, designed to insure fair prices to producers, efficient and equitable distribution of the products, and protection for consumers of the finished goods.

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THE AGRICULTURAL ADJUSTMENT ACT AND ITS OPERATION

As passed by Congress and approved by the President on May 12, 1933, the Agricultural Adjustment Act, properly titled "An Act to Relieve the Existing National Economic Emergency by Increasing Agricultural Purchasing Power", contains three distinct parts.

One part empowers the President, through the Secretary of Agriculture, Henry A. Wallace, to take measures to increase agricultural purchasing power by raising farm income; another empowers the Farm Credit Administration to take measures to lighten the load of farm mortgages; the third grants to the President certain powers in regard to the national currency and credit.

Only one of these parts, the first, is under the jurisdiction of the Department of Agriculture, and the Agricultural Adjustment Administration, headed by George N. Peek, has been especially created to accomplish this task. The farm-mortgage section of the Act is administered by the Farm Credit Administration, created on May 12 by executive order of the President. Information on its provisions and working should be obtained from Federal land banks and from county extension agents. The currency and credit powers in the third portion of the Act are granted to the President himself.

The Act declares that it is the policy of Congress to raise the purchasing power of American farmers to the level which it occupied in the "base period", the five years 1909 to 1914, when agricultural and industrial production and prices were well balanced and the national income was equitably distributed.

This policy of increasing agricultural purchasing power is necessary because of the sharp and inequitable decline of that purchasing power since the World War and more especially during the four years beginning with 1929, when farm incomes decreased more rapidly and to a greater degree than did the incomes of other industries.

Reasons for this decline in farm income and buying power were numerous. Production of farm goods in the United States was greatly increased during the war period when European nations were unable to produce their own foods and fabrics and depended upon the United States for those commodities. More than 50 million acres of land in this country were thrown into agricultural production during those years, under the stimulus of heavy demand and high prices.

Shortly after the World War ended European nations began to return to their pre-war production levels and to cease to need American products in anything like such volume as they had required during the war.

The foreign demand for American farm products shrank steadily in the last decade; domestic demand also declined; the wide use of automobiles, trucks, and tractors alone replaced livestock which had

consumed the product of nearly 20 million acres. Farm production had expanded in response to the war demands, but failed to contract after that need had passed. Continued production, in the face of declining demand, led to falling prices and to the physical accumulation of excess supplies.

The depression beginning in 1929 still further reduced the demand for farm products, weakened the urban buying power for products sold on the domestic market, and sharply curtailed the consumption of products, such as cotton, which go to industrial uses.

Neither the 6 million individualistic farmers nor the institutions engaged in marketing the several products were able to provide the needed control.

American farmers did not—partly because they could not—scale down their production in accordance with smaller demand, as rapidly as they had increased it to meet emergency demand volume. The total volume of American agricultural production in 1932—a year when growing conditions were below average—was 4 percent above the average for the years 1919–1927, which included a period when Europe, because of the war, was still drawing heavily upon this country for agricultural products, and when domestic purchasing power was high.

In 1929 American farmers exported 12.2 percent, by value, of their total production; in 1930 only 10.2 percent; and in 1931 and 1932 less than 7 percent.

With this sustained production and decreased export market, prices inevitably dropped. Falling prices did not, in this case, check production but, on the contrary, increased production. American farm goods were forced on the market for what they would bring, or accumulated in burdensome surpluses, and returns to farmers fell until in March 1933 the purchasing power of agricultural goods, in terms of commodities that farmers buy, was less than half what it had been in the five years before the World War.

The disparity between the prices of farm products and other products had existed since 1921 and was sharply intensified from 1929 to 1933. Cash income available for farm living expenditures dropped from 6 billion dollars in 1925 to 1.3 billion in 1932. The low buying power of farmers intensified the industrial depression and weakened the agricultural assets behind the whole national credit structure.

Farmers drastically reduced their operating expenditures for equipment, hired labor, buildings, and material, thus intensifying industrial inactivity and unemployment. But they could not reduce their fixed charges of interest, debt, and taxes. They therefore produced more and more farm goods to sell at low prices, in the effort to get enough money to meet these charges. Thus they increased the very surpluses that already were piling up and further depressed farm prices and farmers' income.

As farmers' incomes and buying power fell off, they ceased to be customers for the goods and services that cities must sell, and thus their condition contributed increasingly to unemployment in the cities and to stagnation of business and industry. Farmers and other rural people normally buy 25 percent of all products and services produced in the Nation. With their purchasing power reduced by 40 percent between 1929 and 1932 they accounted, it is

estimated, for some 4 million of the urban and industrial workers who were out of jobs in 1932.

The policy of Congress to "relieve the existing national economic emergency", and to accomplish this relief by "increasing agricultural purchasing power" was responsible for the passage of the Agricultural Adjustment Act.

ADMINISTRATION OF THE ACT

In order to apply the powers and achieve the purposes of the Adjustment Act, the Secretary of Agriculture has set up within the Department of Agriculture a new organization, the Agricultural Adjustment Administration, devoted specifically to these duties. The Administration's activities are coordinated closely with those of the rest of the Department. It draws upon the scientific knowledge, the accumulated statistical data, and the informational, organizing, and educational facilities of the other bureaus and offices within the Department.

The organization is headed by an Administrator who is responsible for directing all its activities. The administrative officer is assisted by a suitable staff who formulate procedure for the consideration of production-control programs and trade agreements and who carry out other administrative functions of the organization. Among the administrative officers assisting the Administrator are the general counsel, in charge of the legal staff, and the consumers' counsel, whose function is to oppose pyramiding of processing taxes, profiteering, and unfair charges to consumers as a result of activities under the Adjustment Act.

The two fields of production control and of activities in the processing and marketing of agricultural commodities are covered by the production division and the processing and marketing division, each under a director.

Within the production and the processing and marketing divisions there are sections, each devoted to the activities under the division, in relation to a specific commodity. Each division has a wheat section, a cotton section, and a corn and hog section.

Other sections carry on activities in both the production field and the processing and marketing field. These sections are the dairy section, the rice section, the special-crops section, and the tobacco section. Each section is headed by a chief, with economic advisers and administrative assistants.

Broad and flexible powers, and a wide variety of means and methods, are provided for effectuating the purposes of the Act.

Flexibility and variety in these methods are necessary because agriculture is a complex industry with wide differences among the problems of different commodities and of different regions. It is essential that the Agricultural Adjustment Administration be able to change strategy and tactics of the attack as the problems themselves differ and as the general situation changes.

WHAT "PRE-WAR PARITY" MEANS

It was the policy of Congress to restore the pre-war parity of agricultural purchasing power. Such a restoration means that farmers will again be as good customers for city goods and services as they were in 1909–1914.

It does not necessarily mean that prices, in dollars, of farm products will be the same as they were before the war, but it means that farmers selling the same volume of farm goods will be able to buy, with their returns, the same volume of manufactured goods that they were able to buy in 1909–1914.

Farmers, because of the low prices of farm goods, have been put at a disadvantage, and this disadvantage has adversely affected the economic situation of the entire Nation as well as that of the farmers themselves. The policy of Congress in passing the Agricultural Adjustment Act was to remedy this situation.

In dealing with individual commodities except tobacco, the base period to which purchasing value of the commodity is to be adjusted is the same period, 1909–1914, to which the general purchasing power of American agriculture is to be adjusted according to the policy of Congress. For tobacco the base period is the post-war years 1919–1928. This variation is caused by the fact that tobacco-consuming habits of the entire world have changed since the war, and pre-war conditions no longer accurately represent the present condition of the tobacco industry.

The Act declares also that it is the policy of Congress to restore the agricultural purchasing power by gradually correcting the present inequalities as rapidly as is feasible in view of consumptive demand in domestic and foreign markets.

One important function of the Adjustment Administration is to increase the export sales of surplus agricultural products wherever that can be done without putting undue pressure on world markets. Efforts to explore and open new export outlets for surpluses of American farm products were among the first enterprises of the Agricultural Adjustment Administration.

At the same time that farm prices are being increased the interests of the consumer are safeguarded under the Adjustment Act.

The power to increase farm returns must be limited, if undue burdens on consumers are to be avoided and agricultural stability to be maintained. The Act embodies several provisions for the protection of consumers—the parity price maximum, the limitation on the proportion of the consumers' dollar returned to farmers, and the direction that processing taxes, even with the parity limits, shall not be such as to unduly depress consumption.

PRODUCTION-ADJUSTMENT POWERS

Roughly, the powers under the Adjustment Act fall into two groups.

One group enables the Agricultural Adjustment Administration to take measures to balance production of farm goods with the effective demand for them, and thus to bring about increased farm income and farm purchasing power with a sound economic base resting upon the laws of supply and demand.

Authority granted for this purpose recognizes the existence of overproduction and of an oversupply—an actual physical surplus—of many farm products; it recognizes the necessity of reducing this oversupply and refraining from further overproduction that maintains and adds to it if the farmer is to receive his fair share of the national income. This group of powers enables the United States

Government to assist farmers in making an adjustment in their production which it is impossible for them to make unaided and acting as individuals.

The Act authorizes the use of several methods, separately or in combination, to make this adjustment. It provides a method of giving financial assistance to farmers who, voluntarily and not otherwise, cooperate with the Government in making the necessary adjustment. It provides no means or authority for direct financial aid to farmers who do not cooperate in the adjustment. Therefore it offers an incentive for cooperation and none for not cooperating.

This feature of the Act is exemplified in the programs now in operation for adjusting the production of wheat, cotton, and tobacco, and in plans contemplated for other commodities. Growers who cooperate in the program of the Agricultural Adjustment Administration for those commodities specified receive compensatory payments—rental payments and opportunities to purchase cotton options at less than the market price, in the case of cotton; direct payments based upon adjustments in volume of production for market in the case of wheat and tobacco. Producers who do not cooperate in the necessary adjustments are not entitled to receive such payments.

The Adjustment Act provides for no compulsion of producers. They are wholly at liberty to produce any commodity in any volume they choose, but if they do not join in the program of adjustment to a sounder economic basis, they must meet economic and marketing problems without direct governmental assistance. It is expected all farmers will be indirect beneficiaries of successful adjustments.

MARKETING-AGREEMENT POWERS

The second group of powers contained in the Act is also directed toward giving the producer of agricultural commodities more nearly his fair share of the national income. These powers are conferred by the marketing-agreement section of the Act and relate to prices to producers and to consumers and to trade practices among processors and distributors of farm products. They make the Government both an arbiter and a partner in agreements among associations of producers, processors, and distributors of farm goods.

Like the measures for adjusting production, these powers are aimed at assisting private industry, in this case processors and distributors as well as producers, to change its practices so as to benefit all interests engaged in getting farm products from the soil to the consumer in such a manner as to equal or approach parity prices to farmers and at the same time to protect the consumer from any unfair increase in his costs.

Just as farmers are unable to adjust their production without the aid of the centralizing power of the Government, distributors are unable, without that same assistance, to cooperate in avoiding certain wasteful and damaging distribution practices.

Both groups of powers conferred by the Agricultural Adjustment Act, then, are directed toward economically balanced production of agricultural commodities on the one hand, looking toward a fair share of the national income for farmers, and on the other hand a system of distributing farm products that will be economically sound.

HOW PRODUCTION IS ADJUSTED

The general statement of the Act on adjustment of production is:

SEC. 8. In order to effectuate the declared policy, the Secretary of Agriculture shall have power—

(1) To provide for reduction in the acreage or reduction in the production for market, or both, of any basic agricultural commodity, through agreements with producers or by other voluntary methods, and to provide for rental or benefit payments in connection therewith or upon that part of any basic agricultural commodity required for domestic consumption, in such amount as the Secretary deems fair and reasonable, to be paid out of any moneys available for such payments * * *.

This broad provision permits the Secretary, with the approval of the President, "to make such regulations with the force and effect of law as may be necessary to carry out the powers vested in him by this title." The actual operation of the Act is through such regulations and through agreements with producers and distributors, rather than through specific provisions written into the law itself. This gives the law its flexibility and mobility and makes it possible for the Secretary, through the Agricultural Adjustment Administration, to change existing regulations or to issue new ones when the situation changes, without depending on Congressional action to amend the law itself.

Reductions in acreage or in production for market must be made through arrangements that are voluntary on the part of the producers. The Act provides no power to order such reductions. It does provide for "rental or benefit payments in connection therewith" in "such amounts as the Secretary shall deem fair and reasonable."

BASIC AGRICULTURAL COMMODITIES

Such agreements and payments can be made in regard to the "basic agricultural commodities" listed in the Act. These are wheat, cotton, corn, hogs, rice, tobacco, and milk and its products. They are listed as basic for several reasons. One is that changes in their prices strongly influence changes in the prices of other agricultural commodities. Another is that the United States produces an exportable surplus of nearly all of them. Export demand and world price of each had fallen sharply before the Act was passed, and these commodities were relatively in worse economic situation than others that are produced and consumed on a domestic basis.

A third reason is that each of these commodities is put through some manufacturing process before it is ready for human consumption, and their production and distribution can be better regulated in these processing channels than could the production and distribution of commodities not so processed.

Choice of methods for determining and making compensating payments for adjustment of production is largely within the discretion of the Secretary of Agriculture, except that such arrangements must be entered into voluntarily by the producers.

Under the Act, land may be leased in large areas, by States or regions, or from individual owners, and retired from the production of any crop. Restrictions may be prescribed on the alternative use of such land, so it may be used either to produce crops that do not

compete with other commodities of which there is a surplus, or be planted to soil-improving or erosion-preventing crops.

The Secretary may, under the Act, determine what proportion of the total acreage of a given crop he will lease, or he may decide to designate and lease certain fields on an individual farm. Otherwise the tendency would be to lease and withdraw from production only the poorer or submarginal lands.

REDUCING MARKET VOLUME

It is also within the discretion of the Secretary of Agriculture to offer compensation in the form of benefit payments for reducing the amount of a commodity that is sent to market, instead of leasing land and withdrawing it from production.

To compensate producers for such reduction in their production for market, the Secretary may make benefit payments on that part of the commodity required for domestic consumption, " in such amounts as the Secretary deems fair and reasonable, to be paid out of any moneys available for such payments."

MODIFICATIONS AND COMBINATIONS

Numerous modifications and combinations of these two methods are possible under the Act and have, in fact, been employed in its administration. The contracts offered to cotton growers and wheat growers within two months of the passage of the Act combined rental features, compensatory payments on reduction of output for market, and, as an additional feature of the first year's program, the " cotton-option method."

The cotton-option plan incorporated in the Act as Part 1 of Title I permits cotton growers—it does not apply to other commodities—to obtain by contract with the Secretary of Agriculture options on a certain amount of cotton owned by the Federal Government and to receive any profit obtained through the sale of that cotton later. This plan was combined with the leasing provisions of the Act in one of the two alternative contracts offered to growers. The other alternative contract was a straight rental offer with rental payments based upon the productivity of the land.

Through the operation of the cotton-adjustment program the 1933 cotton acreage was reduced by more than 10,000,000 acres and the production for the year by more than 4,000,000 bales, which otherwise would have been added to the burdensome carryover, already equal to nearly a 2-year supply for normal domestic consumption.

Forecasts of the Department of Agriculture indicate that, had there been no curtailment of cotton production in 1933, the unusually high average yield on the large acreage planted would have produced a crop of 16 million bales or more, further swelling the abnormal surplus and threatening to bring about for producers ruinously low prices of cotton.

Benefit payments to cotton growers who participated in the reduction program have been estimated at more than $100,000,000. A processing tax of 4.2 cents per pound has been levied upon the processing of raw cotton, and may be supplemented by additional

taxes levied upon commodities that compete with cotton if such taxes are found necessary.

Necessity for the compensatory taxes might lie in the fact that if cotton alone were subject to the impost, other products, untaxed, might obtain a competitive advantage. The compensatory taxes would restore the normal competitive relation.

The first application of the Act in relation to wheat was under that provision enabling the Secretary of Agriculture to enter into an agreement with producers to reduce their acreage and to make to them compensatory benefit payments. These payments are, in a general sense, based upon that part of the production required for domestic consumption.

In this case the Secretary of Agriculture offered wheat growers a contract stipulating that they would reduce their acreage in 1934 and 1935—the 1933 acreage and output were drastically reduced by weather conditions. The percentage by which the growers would reduce their acreage was not stated in the contract but was not to exceed 20 percent. The percentage for 1934 was later announced by the Secretary as 15 percent.

In return, each qualifying grower was entitled to receive benefit payments on that portion of his individual average annual production during the five years 1928–1932, that corresponded to the portion of the total production of wheat in this country domestically consumed as human food. This percentage was found to be 54 percent.

The wheat program was adapted to and made a part of the world accord on wheat, arrived at through international agreements concluded among both wheat-exporting and wheat-importing nations as an attack upon the world problem of surplus and uneconomic wheat production.

Prior to this agreement, the United States had been almost completely shut out of the world wheat markets. If this country alone had reduced production, and other countries meanwhile had increased production, the United States might eventually have lost entirely its share in the world trade for wheat. Instead, through this agreement, the United States retains some share in the international market. Other countries share with this the sacrifices necessary for readjustment; other countries, it is hoped, will also share in the higher prices and better conditions that those sacrifices will produce.

Measures taken to aid growers of cigar and flue-cured tobacco in adjusting their production have involved compensatory payments based upon several methods of reducing production. In some cases acreage was reduced by 50 percent from the 1932 level, the land affected being taken out of production. In other cases only a part of the 1933 crop was harvested.

Benefit payments were not uniformly based on acreage rental, but in some instances upon the volume of reduction in yield. Agreements signed by tobacco growers in different areas have been different because the conditions differ among regions.

An emergency hog-marketing program has been entered into by the Secretary of Agriculture under that provision of the Act which permits the imposition of a processing tax and the use of some of its proceeds to remove a burdensome surplus from the market.

This program contemplated the purchase, for the account of the Secretary of Agriculture, of 1,000,000 sows and nearly 6,000,000 light pigs, to be processed and removed from the regular channels of the pork trade, where they constituted an obstruction to a profitable price to producers. The pigs and sows bought under this program were paid for from the proceeds of a processing tax levied upon pork products, and growers received a fixed price, higher than the current market price, for properly qualified animals marketed under the program.

Other modifications and combinations of the various methods that the Secretary of Agriculture is empowered to use have been applied in adjusting production of other basic commodities. The modifications have been found necessary because commodities, methods of producing them, and their economic situations are different.

PAYMENTS MAKE ADJUSTMENT POSSIBLE

Benefit payments are intended to make it possible for a farmer, acting in cooperation with other farmers and with the Government, to reduce his production without at the same time reducing his already inadequate income.

This reduction, in turn, makes it possible to balance the total production of the country with the effective demand for the goods produced and prevents waste of time, labor, and capital in producing for a market that will not return a fair price to the producer.

This balance, bringing about the restoration of farm buying power to the basis which it had in the pre-war period, is the objective toward which the Secretary of Agriculture, with the approval of the President and under the mandate of Congress, applies the powers conferred upon him under the production-adjustment provisions of the Agricultural Adjustment Act.

PROCESSING TAXES PROVIDE MONEY

Money must be provided for the adjustment payments to cooperating producers. The Adjustment Act provides that such payments are to be made " out of any moneys available for such payments." Section 12, subsection (a), appropriates—

> out of any money in the Treasury not otherwise appropriated, the sum of $100,000,000 to be available to the Secretary of Agriculture for administrative expenses under this title and for rental and benefit payments made with respect to reduction in acreage or reduction in production for market under Part 2 of this title. Such sum shall remain available until expended.

In addition, the National Industrial Recovery Act, approved by the President June 16, 1933, carrying an appropriation of $3,300,000,000, provides (Section 220) that—

> the President is authorized to allocate so much of said sum, not in excess of $100,000,000, as he may determine to be necessary for expenditures in carrying out the Agricultural Adjustment Act and the purposes, powers, and functions heretofore and hereafter conferred upon the Farm Credit Administration.

The Agricultural Adjustment Act, in Section 9 (a) provides that:

> To obtain revenue for extraordinary expenses incurred by reason of the national economic emergency, there shall be levied processing taxes as herein-

after provided. When the Secretary of Agriculture determines that rental or benefit payments are to be made with respect to any basic agricultural commodity, he shall proclaim such determination, and a processing tax shall be in effect with regard to such commodity from the beginning of the marketing year therefor next following the date of such proclamation.

This processing tax is an excise tax paid by the processors—manufacturers—on the first domestic processing of the basic commodity on which it is levied. It is collected, like other excise taxes, by the Bureau of Internal Revenue, and is turned over to the United States Treasury. Money for the administration of the Adjustment Act and for the compensatory payments is drawn from the Treasury on the authority of the Secretary of Agriculture.

Since all processing taxes are paid into the Treasury and all benefit payments are drawn from the Treasury, the total proceeds of all processing taxes, and any other money available for the purpose, can be used for the payment of rentals or benefits. Growers of a given basic commodity are not necessarily entitled to receive as benefit payments the total sum derived from the processing tax on that commodity, nor are the payments to them legally limited to the amount collected in processing taxes upon their commodity.

The maximum amount of the tax which can be imposed (as of "the beginning of the marketing year" for that commodity) upon any commodity is the difference between the current average farm price for that commodity and its "parity price"—that is, the price which it would have to bring in order to have the same purchasing power in terms of manufactured goods that farmers buy that it had in the 5 years before the World War.

SUPPLEMENTARY TAX PROVISIONS

If the imposition of a processing tax upon a given commodity puts that commodity or the products derived from it at a disadvantage in competing with other commodities which may be substituted for it, the Secretary of Agriculture has power to impose an equivalent tax upon the competing commodity, either domestically produced or imported, in order to remove this disadvantage. Thus, if a processing tax levied upon cotton increases the price on cotton goods until they are at a disadvantage in competing with such products as rayon, silk, or wool, the Secretary of Agriculture has power to levy compensating processing taxes upon the latter-named commodities and restore the competitive basis.

Likewise, when there is a tax upon the processing of any commodity produced in the United States there is automatically levied upon the products from the same commodity or its products, if imported, an equivalent tax in addition to any tariff which may already be in effect.

No processing tax is imposed upon the processing of any commodity by the producer of the commodity, if the goods are to be used by his own family, household, or employees. Goods which the producer himself processes for sale may be exempted from the processing tax if the Secretary holds that it is not necessary, for the purposes of the Act, to apply such taxes.

The processing tax on a basic commodity is refunded if the products of the commodity are exported, or if they are delivered to any organization for charitable distribution or use.

Suitable provisions for applying the tax to floor stocks on hand when the tax is announced are included in the Act and in the regulations issued by the Secretary of Agriculture.

TAX RATE IS ADJUSTABLE

If the Secretary of Agriculture has reason to believe that the imposition of the maximum processing tax on a commodity will check its consumption and cause a surplus of the commodity to be accumulated, he may fix the tax at less than the maximum provided for in the Adjustment Act, provided he first holds public hearings to ascertain the facts.

The Secretary of Agriculture may alter the rate of the tax at such intervals as he finds necessary.

The tax will terminate at the end of that marketing year for a given commodity during which the Secretary of Agriculture announces that he will cease to make rental or benefit payments.

Regulations for collecting the tax are issued by the Bureau of Internal Revenue.

The " first domestic processing ", on which the taxes are levied, is defined in Section 9 (d) of the Adjustment Act as follows:

(1) In the case of wheat, rice, and corn, the term " processing " means the milling or other processing (except cleaning and drying) of wheat, rice, and corn for market, including custom milling for toll as well as commercial milling, but shall not include the grinding or cracking thereof not in the form of flour, for feed purposes only.

(2) In case of cotton, the term " processing " means the spinning, manufacturing, or processing (except ginning) of cotton; and the term " cotton " shall not include cotton linters.

(3) In case of tobacco the term " processing " means the manufacturing or other processing (except drying or converting into insecticides and fertilizers) of tobacco.

(4) In case of hogs, the term " processing " means slaughter of hogs for market.

(5) In the case of any other commodity, the term " processing " means any manufacturing or other processing involving a change in the form of the commodity or its preparation for market, as defined by regulations of the Secretary of Agriculture; and in prescribing such regulations the Secretary shall give due weight to the customs of the industry.

MARKETING-AGREEMENT PROVISIONS

Under the marketing-agreement section of the Adjustment Act the Secretary of Agriculture is empowered to approve and to enter into agreements among associations of producers, processors, and distributors of any agricultural commodity or its products in interstate or foreign commerce. This section of the Adjustment Act is not limited to the seven basic agricultural commodities that are subjected to the production-control provisions of the Act.

Agreements may extend from the producer to the consumer and may touch every point in the chain of distribution. Trade agreements made under the Adjustment Act do not come under the antitrust laws. They may regulate practices as to prices, production quotas, supply areas, and relationships among various branches of trade. They are designed to prevent " cut-throat " competition and to assure fair treatment for producers, distributors, and consumers of farm products or goods made from farm products.

Administration of the trade-agreement features of the Agricultural Adjustment Act has been coordinated with that of the National Industrial Recovery Act. Under an Executive order of the President trade agreements and codes of fair competition for industries or trades engaged principally in handling milk and its products, tobacco and its products, or any food or foodstuffs, are placed under the jurisdiction of the Secretary of Agriculture through the Agricultural Adjustment Administration, except insofar as any provisions in such codes relate to wages, hours, or conditions of labor. Such provisions must be approved by the President and administered through the National Recovery Administration.

The first trade agreements applied for under the Agricultural Adjustment Act related to the marketing of fluid milk in various metropolitan areas. More than two score such agreements have been submitted to the Secretary of Agriculture for approval, and several have been approved and put into force, with the license clause of the Act making them effective in stabilizing the fluid-milk markets of the areas concerned, assuring adequate returns to producers and providing reliable supplies at fair prices for the consumers.

In addition to the regional marketing agreements, similar agreements and codes of fair competition that are national in scope have been proposed for the evaporated milk industry, the dry skim milk industry, the ice cream industry, and the butter industry. The first two have been approved and put into effect.

In addition to the agreements covering milk and its products, numerous pacts covering the processing and distribution of other commodities have been proposed, and some have been made effective. The first agreement put into force, other than milk agreements, was related to California cling peaches for canning. One of its effects was to provide for peach growers in the area affected, an increase of some $3,000,000 in the gross return for their No. 1 peaches over the gross return in 1932. The effect upon the price to consumers was an increase of not more than 2 cents a can.

Numerous other agreements are pending, all with the objective of stabilizing marketing situations and assuring fair prices to producers and consumers of the commodities concerned.

The trade-agreement provisions of the Act, and Section 12 (b), permit action by the Agricultural Adjustment Administration to remove agricultural surpluses from the market. With funds derived from processing taxes or loaned by the Reconstruction Finance Corporation, trade groups recognized under the law may be helped to market cotton, wheat, hog products, and other commodities.

POWERS ARE BROAD

The trade-agreement powers in the Act are broad. Each proposed marketing agreement differs from the others. Under the provisions of the Act the Secretary of Agriculture is empowered to put into such agreements nearly any requirement needed to effectuate the policy of the Act.

To enforce the terms of the agreements the Secretary is empowered to grant licenses to processors and distributors and others in the industry or area in which a marketing agreement is in force and to fix the terms of the licenses. Failure to conform to such terms, when

licensing has been determined upon by the Secretary, will lead to revocation or suspension of the licenses, and doing business thereafter without a license is a violation of the law and subject to penalty.

TERMINATION OF THE ACT

Because the Agricultural Adjustment Act was drawn to meet a national economic emergency, it shall cease to be in effect, according to its own terms, " whenever the President finds and proclaims that the national economic emergency in relation to agriculture has been ended; and pending such time the President shall by proclamation terminate with respect to any basic agricultural commodity such provisions of this title as he finds are not requisite to carrying out the declared policy with respect to such commodity."